

NEWS FROM SCDCA

South Carolina Department of Consumer Affairs



Brandolyn Thomas Pinkston, Administrator

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SCDCA Media Contact: Public Information and Education Division

1.800.922.1594 (toll free in SC)

803.734.4190 or 803.734.4296

Email: scdca@dca.state.sc.us

FOR IMMEDIATE RELEASE

THE TRUTH ABOUT TAX REFUND ANTICIPATION LOANS

Columbia, SC....As tax season kicks into full gear, the Department of Consumer Affairs wants to warn consumers about rapid refund or tax refund anticipation loans.

These loans are offered by some commercial tax preparation firms and banks to people who want to receive a rapid refund. Rapid or "instant" refunds are really loans. In order to receive money early, consumers are charged a loan fee ranging from \$29 to \$120. The Annual Percentage Rate (APR) on these loans can range from 40% to over 700%. Electronic filing fees, as well as tax preparation fees can also drive up the cost, taking more money away from the consumer's refund. Furthermore, consumers who do not receive the entire refund from the Internal Revenue Service (IRS) remain liable for the entire amount of the loan.

Consumers need to know that many refund loans include additional fees, such as application fees and audit protection fees, all subtracting away from the amount of refund the consumers can pocket. Additionally, tax returns filed electronically with the IRS generally yield a refund within two weeks, so consumers really aren't getting their refund that much sooner. Consumers who make less than \$50,000 are eligible to file their tax return free at www.irs.gov.

About the South Carolina Department of Consumer Affairs:

Established by the Consumer Protection code in 1974, The South Carolina Department of Consumer Affairs represents the interests of South Carolina Consumers. Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education.

For more information, visit www.scconsumer.gov.

Finally, some loan agreements may allow the loan company to retain the refund if the consumer owes money to that creditor or to a company related to that creditor.

To avoid paying unnecessary fees for rapid refunds, consumers should consider the following options:

- Open a checking or saving account – this will allow you to receive refunds by direct deposit.
- Avoid check cashers – extra fees are charged to cash tax refund checks.
- File tax returns by E-File with the IRS – this can speed up your tax refund, particularly if the IRS deposits your refund directly into your bank account.

For more information, contact the Public Information and Education Division at 803.734.4190, toll-free in S.C. at 1.800.922.1594 or online at www.sccconsumer.gov and click on LIVE Chat.